



DRAFT MINUTES

LAFCO REGULAR MEETING

Wednesday, February 8, 2006, 9:00 a.m.

Planning Commission Hearing Room, Hall of Administration
10 Civic Center Plaza, Santa Ana

(Any member of the public may request to speak on any agenda item at the time that item is being considered by the Commission.)

1. CALL TO ORDER

Chair Robert Bouer called the regular meeting of the Local Agency Formation Commission (LAFCO) to order at 9:04 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner Patsy Marshall led the pledge of allegiance.

3. ROLL CALL

The following commissioners and alternates were present:

- **Commissioner Robert Bouer**
- **Commissioner Bill Campbell**
- **Commissioner Peter Herzog**
- **Commissioner John Withers**
- **Alternate Commissioner Patsy Marshall**
- **Alternate Commissioner James Silva**
- **Alternate Commissioner Charley Wilson**

The following LAFCO staff members were present:

- Executive Officer Joyce Crosthwaite
- Assistant Executive Officer Bob Aldrich
- Project Manager Kim Koeppen
- Project Manager Carolyn Emery
- Communications Analyst Danielle Ball
- Administrative Assistant Daphne Charles

4. APPROVAL OF MINUTES

a.) January 27, 2006 – Strategic Planning Meeting

MOTION: Approve minutes from January 27, 2006 as presented
and without revision (Charley Wilson)
SECOND: Bill Campbell
FOR: Robert Bouer, Bill Campbell, Peter Herzog, James
Silva, Charley Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

5. PUBLIC COMMENT

Chair Bouer requested public comments on any non-agenda item. Receiving no comments, he closed the public comment agenda item.

6. CONSENT CALENDAR

a.) Quarterly Budget Update

MOTION: Approve the consent calendar (Peter Herzog)
SECOND: Charley Wilson
FOR: Robert Bouer, Bill Campbell, Peter Herzog, James
Silva, Charley Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

7. PUBLIC HEARING

- a.) Municipal Service Review and Sphere of Influence Update for Harbors, Beaches, and Parks County Service Area 26 (MSR 05-62 & SOI 05-63)
- b.) Municipal Service Reviews, Governance Structure Options, and Sphere of Influence Updates for South Orange County (MSR 05-24)

7a. Municipal Service Review and Sphere of Influence Update for Harbors, Beaches, and Parks County Service Area 26 (MSR 05-62 & SOI 05-63)

Communications Analyst Ball presented the staff report for the municipal service review (MSR) and sphere of influence (SOI) update for Harbors, Beaches, and Parks County Service Area 26 (MSR 05-62 & SOI 05-63). She explained that revenues generated from HBP CSA 26, a countywide CSA,

exclusively benefit the Orange County Harbors, Beaches, and Parks, a division of the County's Resources and Development Management Department. She said that staff did not note any significant issues in completing the MSR and SOI review. She recommended that the Commission reaffirm HBP CSA 26's current sphere of influence.

Commissioner Campbell commented that the Board of Supervisors governs HBP CSA 26. He noted that Harbors, Beaches, and Parks, per Board directive, was engaged in its first ever strategic planning process, which would conclude in late 2006. He made a motion to approve staff recommendations.
Commissioner Herzog seconded the motion.

Commissioner Silva noted that the operational and maintenance costs related to the County's park and recreational resources far exceed fees paid by the public.

Chair Bouer opened the public hearing. Receiving no comments, he closed the public hearing.

MOTION: Approve staff recommendations and sphere determinations for the HBP CSA 26 (MSR 05-62 & SOI 05-63) (Bill Campbell)
SECOND: Peter Herzog
FOR: Robert Bouer, Bill Campbell, Peter Herzog, James Silva, Charley Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

7b. Municipal Service Reviews, Government Structure Options, and Sphere of Influence Updates for South Orange County (MSR 05-24)

Chair Bouer deferred the public hearing related to the Municipal Service Reviews, Government Structure Options, and Sphere of Influence Updates for South Orange County, pending the arrival of Legal Counsel Clark Alsop.

8. COMMISSION DISCUSSION

- a.) LAFCO Audit, Fiscal Year 2004-2005
- b.) Investment of LAFCO Funds
- c.) LAFCO Policies & Procedures Update
- d.) Update on Bolsa Chica
- e.) Update re the Tonner Hills Annexation to the City of Brea (CA 03-12)

- f.) Protest Update re the Santiago Hills II Annexation to the City of Orange (CA 00-14) and East Orange Planning Area 1 Reorganization (RO 04-16)
- g.) Protest Update re the Knudson Annexation to the Orange County Sanitation District (DA 05-18)
- h.) Prioritized 2006 LAFCO Work Plan

8a. LAFCO Audit, Fiscal Year 2004-2005

Assistant Executive Officer Aldrich presented Orange County LAFCO's draft audit report for FY 2004-2005 as prepared by the Commission's independent auditor, Moreland & Associates. He indicated that the independent auditor did not identify any issues relating to LAFCO's accounting procedures, current internal financial controls, or office procedures during the audit process and therefore did not issue a "management letter," which is used to identify areas of concern.

MOTION: Receive and file the draft audit report (John Withers)
SECOND: Charley Wilson
FOR: Robert Bouer, Bill Campbell, Peter Herzog, James Silva, Charley Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

8b. Investment of LAFCO Funds

Assistant Executive Officer Aldrich explained that governmental agencies are required to file a resolution adopted by their governing boards with the State Treasurer's Office in order to participate in the Local Agency Investment Fund (LAIF), a voluntary program created by statute in 1977 as an investment alternative for California's local governments and special districts. He asked the Commission to adopt the draft resolution, authorizing the Executive Officer and Assistant Executive Officer to deposit agency funds into and withdraw agency funds from LAIF.

MOTION: Adopt resolution authorizing staff to invest agency funds into LAIF (Peter Herzog)
SECOND: Robert Bouer
FOR: Robert Bouer, Bill Campbell, Peter Herzog, James Silva, Charley Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

Commissioner Tom Wilson entered the meeting.

8c. LAFCO Policies & Procedures Update

Assistant Executive Officer Aldrich presented the Commission's annual policies and procedures update. He summarized the five key policy amendments/updates proposed by staff: 1) formal incorporation of the Executive Officer evaluation process, developed by the Commission in 2000, into the LAFCO Handbook as a stand-alone policy; 2) modification of the public member appointment procedure, making the press release optional rather than mandatory; 3) adoption of a formal records retention policy; 4) revision of the Commission and staff reimbursement policy in light of new laws effective January 1, 2006; and 5) adoption of a policy that allows staff to transfer sick time to another employee with the Executive Officer's permission. He further explained the deletion of duplicative references.

Commissioner Herzog suggested some clarifying language to the revised reimbursement policy.

MOTION: Incorporate staff's recommended revisions and additions to the LAFCO Handbook with modifications to the reimbursement policy as discussed (Peter Herzog)
SECOND: Bill Campbell
FOR: Robert Bouer, Bill Campbell, Peter Herzog, Charley Wilson, Tom Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

8d. Update on Bolsa Chica

Project Manager Emery said that the application for the annexation of Bolsa Chica to the City of Huntington Beach was forthcoming. She indicated that the city was in preliminary steps involving a fiscal analysis to determine the feasibility of annexing the entirety of Bolsa Chica. She stated that the developer, Hearthside Homes, had submitted a request for the extension of water/sewer services to the property prior to annexation and added that the city would soon file an out-of-area service agreement with LAFCO.

Ms. Emery indicated that the Commission would consider the City of Huntington Beach's sphere of influence, excluding the Bolsa Chica area, during its March meeting and further added that the Commission would consider the remainder of the city's sphere concurrently with the Bolsa Chica annexation.

Chair Bouer stated that the City of Huntington Beach would be the logical provider of sewer and water services to the area.

Commissioner Silva commented that the discussions related to the development of Bolsa Chica and annexation of the area to the City of Huntington Beach have been ongoing for more than three decades.

8e. Update re the Tonner Hills Annexation to the City of Brea (CA 03-12)

Assistant Executive Officer Aldrich stated that both the County and City of Brea had adopted the pre-annexation agreement. He added that the protest period would conclude on February 10. He concluded that the annexation was a certainty, because Shea Homes, the only entity with enough territory to successfully protest the annexation, completely supported the annexation proposal.

Commissioner Campbell congratulated staff for its success in bringing the project to finalization after so many years of hard work.

8f. Protest Update re the Santiago Hills II Annexation to the City of Orange (CA 00-14) and East Orange Planning Area 1 Reorganization (RO 04-16)

Project Manager Koeppen stated that staff held the protest hearings for the Santiago Hills II Annexation to the City of Orange (CA 00-14) and East Orange Planning Area 1 Reorganization (RO 04-16) on February 3. She stated that, receiving no formal protest, staff recorded certificates of completion for both projects later that same day and forwarded them to the State Board of Equalization.

Ms. Koeppen added that the Sierra Club filed a lawsuit against the development project, the first hearing for which was scheduled for July 2006.

8g. Protest Update re the Knudson Annexation to the Orange County Sanitation District (DA 05-18)

Project Manager Emery stated that staff held the protest hearing for the Knudson Annexation to the Orange County Sanitation District (DA 05-18) on February 6. She stated that staff received no formal protests and added that staff would record the certificate of completion upon receipt of the State Board of Equalization fees from OCSD.

8h. Prioritized 2006 LAFCO Work Plan

Executive Officer Crosthwaite presented LAFCO's 2006 Work Plan, which had been prioritized by staff following the annual strategic planning session at the Commission's request. She indicated that, because the Commission had already adopted the work plan, the prioritized work plan was presented for informational purposes only. She invited commissioner comments and suggestions.

7b. Municipal Service Reviews, Governance Structure Options, and Sphere of Influence Updates for South Orange County (MSR 05-24)

Chair Bouer returned to item "7b," the public hearing related to the Municipal Service Reviews, Government Structure Options, and Sphere of Influence Updates for South Orange County.

Executive Officer Crosthwaite presented the staff report for the municipal service review (MSR), government structure options, and sphere of influence (SOI) updates for South Orange County. She stated that the study included four cities (the Cities of Mission Viejo, Rancho Santa Margarita, San Clemente, and San Juan Capistrano) and two special districts (the Santa Margarita Water District and Trabuco Canyon Water District), as well as several unincorporated communities and the Rancho Mission Viejo development project area.

Ms. Crosthwaite said that, having learned much from the MSR prototypes, staff wrote the MSR report prior to convening the stakeholder working group (SWG). Because staff did not identify any service provision issues under LAFCO purview during the development of the MSR report, the SWG focused its efforts on developing an overall governance strategy for the area.

Ms. Crosthwaite presented a matrix detailing the various government structure options considered by the SWG. Further, she summarized the SWG's key recommendations as detailed in the staff report, including the agencies' recommendation to leave the spheres of influence as they are until the Commission's next round of sphere updates.

Commissioner Herzog asked if the maps presented to the Commission related to the Rancho Mission Viejo (RMV) project reflected RMV's settlement agreement. Ms. Crosthwaite explained the shifts in development concentration among the different planning areas that occurred as a result of the settlement.

Commissioner Herzog made a motion to continue the public hearing related to the South County MSR and governance strategy until the Commission's March 2006 meeting. **Commissioner Campbell** seconded the motion. Both commissioners expressed a desire to listen to public testimony and requested that **Chair Bouer** open the public hearing.

Chair Bouer opened the public hearing.

Legal Counsel Clark Alsop entered the Commission meeting.

Dan Kelly, a representative from Rancho Mission Viejo, clarified revisions to the Ranch Plan based on the settlement agreement. He thanked LAFCO staff, as well as those who participated in the stakeholder working group (SWG). He said that everyone involved recognized the importance of deciding the governance strategy in advance of residents moving into the RMV development. He further stated that members of the SWG recognized the MSR and governance discussions as the first phase in a multi-phase process and would continue discussions in that light.

Commissioner Campbell asked if RMV was in agreement with LAFCO staff's governance structure recommendations. Mr. Kelly responded that RMV would be interested in exploring the possibility of establishing a county service area that would graduate to a community services district as the area develops. He added that RMV would need to investigate the option more thoroughly, however, particularly exploring how a CSA or CSD would dovetail with a homeowner's association.

At **Commissioner Herzog's** request, Mr. Kelly explained the phasing of project construction. He said that the earliest occupancy dates would likely be in 2008.

Commissioner Withers related his experience with an analogous project and said he looked forward to watching the evolution of the RMV development.

Commissioner T. Wilson said that he had been involved in discussions related to the RMV development for more than nine years. He cited the SCORE process, which he said, in retrospect, was very productive despite the slow, step-by-step process. He indicated that government structure has always been a primary concern among the stakeholder and said he would follow the continued discussions closely.

Executive Officer Crosthwaite indicated that, per legal counsel, if the Commission decided to continue its consideration of the South Orange County

MSR and government structure options, by law it must also continue its consideration of the agencies' spheres of influence.

Bob Varo, President of Coto de Caza's Homeowner's Association and member of the stakeholder working group, cautioned the Commission that it should not allow Rancho Mission Viejo to become another Coto de Caza. He cited Coto's struggles as an unincorporated community and stated that government structure should be decided well in advance of residents moving into a community.

Commissioner Campbell referenced Coto de Caza's vehement opposition to annexation by the City of Rancho Santa Margarita in 1998 and asked if the community's sentiment had changed. Mr. Varo responded that 65 percent of the community's current residents did not reside in Coto de Caza in 1998. He opined that most of them already believe, albeit erroneously, that Coto is part of the city.

Commissioner Herzog amended his original motion per Executive Officer Crosthwaite's earlier comment that, by law, the Commission must continue its consideration of the agencies' spheres of influence along with the MSR and governance strategy. He said he did not recognize they were interconnected and apologized to his fellow commissioners for the delay. **Commissioner Campbell** seconded the revised motion.

Don Chadd, General Manager of the Trabuco Canyon Water District, called the Commission's attention to the time and effort poured into the South County stakeholder working group process by LAFCO staff, particularly Project Manager Koeppen. He thanked Ms. Koeppen and Ms. Crosthwaite for their thoroughness and diligence. He also noted how different the South County process was from the Orange MSR prototype. He opined that the South County MSR was a more open and inclusive process from its inception and therefore more productive.

Commissioner Campbell asked if the Trabuco Canyon Water District's Board of Directors had taken an official position on LAFCO staff's recommendations. Mr. Chadd responded that, while the Board had not taken a formal position, it was aware of the recommendations and did not oppose them.

Chair Bouer closed the public hearing and asked for a vote on the motion before the Commission.

MOTION: **Continue consideration of Municipal Service Reviews, Government Structure Options, and Sphere of**

Influence Updates for South Orange County (MSR 05-24) to the Commission's March 2006 meeting (Peter Herzog)

SECOND: Bill Campbell
FOR: Robert Bouer, Bill Campbell, Peter Herzog, Charley Wilson, Tom Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

9. COMMISSIONER COMMENTS

Chair Bouer opened the floor for comments.

Executive Officer Crosthwaite indicated that she would extend an invitation to the City of Aliso Viejo to provide a retrospective look at the city's incorporation in light of the issues raised during the South County MSR process.

Commissioner Marshall asked if anyone from Orange County LAFCO planned to attend CALAFCO's CEQA workshop in March. Executive Officer Crosthwaite responded that none of the staff was enrolled.

Executive Officer Crosthwaite reminded the Commission of the four-part facilitation/mediation training workshop series being coordinated by Orange County LAFCO for other public agency staff. She distributed flyers to the commissioners.

10. INFORMATIONAL ITEMS & ANNOUNCEMENTS

None

11. CLOSED SESSION

None

12. ADJOURNMENT

Chair Bouer adjourned the meeting at 10:14 a.m.

* * * * *

JOYCE CROSTHWAITE
Executive Officer
Orange County Local Agency Formation Commission

By: _____
Danielle M. Ball
Communications Analyst/Commission Clerk